# Announcement of Interim Results as from 1 January 2015 to 30 June 2015, Dividend Declaration and Closure of Books

**Financial Highlights**

- Group operating earnings for the first half of 2015 amounted to HK$5,525 million, a 15.9% increase over the corresponding period in 2014.
- Total earnings decreased by 14.8% to HK$5,723 million due to the one-off net gain on CAPCO and PSDC acquisitions in May 2014; earnings per share decreased to HK$2.27 per share.
- Operating earnings from our electricity business in Hong Kong increased by 10.2% to HK$4,050 million.
- Consolidated revenue down by 15.1% to HK$39,985 million.
- Second interim dividend of HK$0.55 per share.

## CHAIRMAN'S STATEMENT

I am pleased to report that our business has performed well across the board in the first six months of 2015. Our updated Group strategy – "Focus · Delivery · Growth" – has made a good start and with the projects now under development, our renewable energy portfolio has reached close to 3,000MW in total. On the financial front, in the first six months, our Group's operating earnings reached HK$5,525 million, a 16% increase over the corresponding period of last year.

Total earnings were down by 15% to HK$5,723 million simply because we booked a one-off gain from the acquisitions of Castle Peak Power Company Limited (CAPCO) and Hong Kong Pumped Storage Development Company, Limited (PSDC) in 2014. Thanks to the positive results, we have increased the level of both first and second interim dividends from HK$0.54 per share a year ago to HK$0.55 per share this year.

In the first six months of 2015, we saw rises in operating earnings across most regions. Operating earnings from our core business in Hong Kong grew by 10% to HK$4,050 million. Operating earnings from Mainland China were up 42% to HK$941 million. Performance of our India business continued to improve, resulting in an increase of 15% in operating earnings to HK$94 million. Operating earnings from Southeast Asia and Taiwan were also higher at HK$140 million, representing a 24% rise. In Australia, a still challenging market, operating results have improved but operating earnings in Hong Kong dollars decreased by 16% to HK$493 million, mainly reflective of the decline in the Australian dollar.

The 3-month public consultation on the future development of the electricity market of Hong Kong ended in June. We recognised the significance of this process for the community and our customers, and were encouraged by the keen public interest in and response to the issues involved. This reflects a general awareness in the community that the results of the consultation will have far-reaching implications for Hong Kong for generations to come.

We actively engaged with our stakeholders to exchange views over the future direction of the industry during the consultation and we made our submission to the Government in June. The existing regulatory arrangement has served Hong Kong extremely well and we support the Government's view that it should be continued. We take pride in being able to say that our track record speaks for itself. Our supply reliability, safety level and environmental performance are equal to or better than major world cities like London and New York whilst our tariffs are amongst the lowest in the developed world. The current regulatory arrangement has provided the market with both stability and flexibility, two critical ingredients which have supported that world class performance. At the same time, it must be acknowledged that the current arrangement has evolved with the aspirations of the community over time and we remain open to further refinements and improvements that the Government and community might suggest.

Our goal is to provide our customers with the most reliable, safe and clean supply of electricity possible at a reasonable cost. However, we cannot do this on our own. The fact that the life span of our assets can be as long as 60 years means we need to be able to attract funds from investors who take a long-term view of our business. Consistent and supportive government policies are crucial and so we are committed to working constructively with the Government so that its policies and regulatory arrangement can strike a proper balance amongst the often competing priorities of delivering a reliable and environmentally friendly electricity service at a reasonable cost.

Whatever the outcome of the consultation, we are prepared to roll up our sleeves and get on with business so that our customers can continue to enjoy the best electricity service possible. That is at the core of the CLP DNA. As a publicly-listed utility, we run our business by following sound business principles – delivering value to our shareholders, observing strict business disciplines, and balancing risks with opportunities. Most importantly, we consider ourselves a member of the communities we serve. This is especially true in Hong Kong where our core business has played such a long and positive role in the city's remarkable development. This is why we have always made our decisions with the long-term interests of Hong Kong in mind. It is this that guided us in the past, and we shall follow the same commitment in the future.

We have applied that approach to our management of the considerable volatility in global fuel markets that we continue to experience. Since we concluded the tariff arrangements for 2015 there has been a significant drop in fuel prices which, in concert with our continued efforts to manage our fuel costs carefully, has resulted in considerable savings in our fuel costs for the first half of 2015. We are passing on the benefit of these savings to our customers through a special fuel rebate totalling approximately HK$1.2 billion.

Outside Hong Kong, I am glad to report that we have done well in Mainland China and India in the first six months of 2015. In Mainland China, our renewable projects delivered good overall results and we plan to commission four more wholly-owned wind projects and one wholly-owned solar farm in the coming 12 months, adding about 300MW to our renewable portfolio. Our Xicun Solar Farm in Yunnan Province has taken an innovative approach to combine power generation with economic farming, thereby maximising land use, creating jobs for local farmers and supplying the community with clean energy. This is an outstanding example of how we have put our sustainability principles into practice. Our investment in high-efficiency coal-fired projects in Mainland China has also made good progress. Phase II of Fangchenggang Power Station is on the fast track for commissioning as scheduled next year. As the Guangxi Zhuang Autonomous Region continues to demonstrate significant growth, we are confident that our coal-fired projects will benefit and make good contributions to our earnings.

In India, the partial commissioning of our Tejuva Wind Farm and Chandgarh Wind Farm early this year has taken our operating wind capacity to nearly 820MW and we have another 260MW under development. This has maintained our position as the largest developer of wind power in India. We have taken note of the Government's ambition to make better use of India's rich renewable resources and we are exploring new opportunities including solar. The Indian energy market remains attractive and we are cautiously optimistic about its future growth.

In Australia, we have a new strengthened management team in place under the leadership of Catherine Tanna who has sharpened our focus on the retail side of the business, and adjusted our generation portfolio to be better aligned with our retail profile in the six-month period. EnergyAustralia is a strong brand and we are comfortable with its position in the national market. Now that our single billing system has stabilised, we will focus on enhancing efficiency, improving margins and reducing cost in the coming months in order to restore value to the business.

Turning to the broader subject of climate change, the United Nations Climate Change Conference in Paris later this year will provide another opportunity for world leaders to reach a meaningful global agreement to cut carbon emissions. Policy certainty is critical for long-term, capital intensive industries such as power generation and stronger international policy commitment is required to support the transition to lower carbon power generation. We will monitor the outcome of the Paris conference closely and hope that world leaders will reach some consensus in moving forward. As a responsible power company, we will continue to play our part. We have a long-term commitment to decarbonise our business in the context of an enabling regulatory environment and our investment strategy adopts a balanced approach where over time for every megawatt of conventional generation we build outside Hong Kong, we plan to support development of a megawatt of renewable energy.

Next year will mark our 115th year of serving Hong Kong. Our long history has laid a strong foundation for our future. By following our "Focus · Delivery · Growth" strategy, our business will continue to grow and prosper – in Hong Kong and other markets. We will press on with our strategy to reinforce our status as a leading energy service provider in Asia Pacific. The future will bring challenges, but with the dedication and professional expertise of our staff and management team, I am confident that our business will scale new heights in the decades ahead.

**The Honourable Sir Michael Kadoorie**

**FINANCIAL PERFORMANCE**

Operating earnings grew by 15.9% to HK$5,525 million mainly due to increased earnings from Hong Kong and Mainland China. Due to the absence of the 2014 one-off net gain on CAPCO and PSDC acquisitions of HK$1,953 million, total earnings were down 14.8% to HK$5,723 million.

| | Six months ended 30 June | | | | | |
|---|---|---|---|---|---|---|
| | **2015** | | 2014 | | **Increase/(Decrease)** | |
| | **HK$M** | **HK$M** | HK$M | HK$M | **HK$M** | **%** |
| Hong Kong | | **4,050** | | 3,674 | 376 | 10.2 |
| Hong Kong related* | **106** | | 48 | | | |
| Mainland China | **941** | | 662 | | | |
| India | **94** | | 82 | | | |
| Southeast Asia and Taiwan | **140** | | 113 | | | |
| Australia | **493** | | 585 | | | |
| Other earnings | **(28)** | | (33) | | | |
| Earnings from other investments/operations | | **1,746** | | 1,457 | 289 | 19.8 |
| Unallocated net finance income/(costs) | | **1** | | (28) | | |
| Unallocated Group expenses | | **(272)** | | (335) | | |
| **Operating earnings** | | **5,525** | | 4,768 | 757 | 15.9 |
| Revaluation gain on Argyle Street site | | **198** | | - | | |
| Net gain on CAPCO and PSDC acquisitions | | **-** | | 1,953 | | |
| **Total earnings** | | **5,723** | | 6,721 | (998) | (14.8) |

*Hong Kong related included PSDC, Hong Kong Branch Line and sales to Guangdong from Hong Kong

## Hong Kong

Earnings from Hong Kong increased by 10.2% mainly due to the sharing of an additional 30% of CAPCO's earnings for the full six-month period after completion of the CAPCO acquisition in May 2014 (HK$323 million) and increase in net return on higher average net fixed assets (HK$132 million), partly offset by the coupons on perpetual capital securities.

## Mainland China

Earnings from Mainland China increased mainly due to higher contribution from our coal-fired projects in Shandong as a result of lower coal costs and the resumption of sharing of earnings from CSEC Guohua (HK$178 million) after the lapse of the Share Transfer Agreement at 31 December 2014. However, the positive impact was partly offset by lower earnings from Fangchenggang due to lower tariff and dispatch. Earnings from renewables improved as a result of the commissioning of new solar projects (Xicun and Sihong) and better performance from wind projects due to more wind resources, notwithstanding performance of Huaiji was affected by less rainfall and lower water level. Earnings from GNPJVC decreased due to a planned 10-year outage from March to May 2015.

## India

Higher earnings from India were mainly attributable to Paguthan as a result of increased incentive payments, lower operating and maintenance expenses as well as reduced heat rate losses. However, these were offset by lower contributions from wind farms due to less wind resources despite the commissioning of new projects.

## Southeast Asia and Taiwan

Higher earnings from Southeast Asia and Taiwan were mainly due to higher earnings from Ho-Ping as a result of lower coal costs and reduced operating expenses.

## Australia

Earnings from EnergyAustralia in Australian dollars were comparable with the corresponding period in 2014. Earnings in the first half of 2014 included compensation in relation to the carbon tax regime, which was repealed in July 2014. Taking into account there was no such compensation in the first half of 2015, earnings have in fact improved as a result of better retail gross margins brought by tariff uplifts for both mass market and Commercial and Industrial sectors and lower operating expenses.

## PERFORMANCE AND BUSINESS OUTLOOK

### Hong Kong

We continued to achieve strong results in our core market whilst maintaining our world class reliability record.

During the first half of the year, local sales of electricity were 15,431 gigawatt hours (GWh), representing an increase of 1.5% over the same period last year. Residential sales recorded a decrease of 1.5% in the first six months of 2015 mainly due to a lower heating load in a warm first quarter. This was partially offset by a rise in cooling load in the second quarter. Sales to the Commercial, Infrastructure & Public Services and Manufacturing sectors recorded slight to moderate increases. A breakdown by sector of the changes in sales during the period is as follows:

| | Increase/(Decrease) | | As Percentage of Total Local Sales |
|---|---|---|---|
| Residential | (62GWh) | (1.5%) | 26% |
| Commercial | 114GWh | 1.8% | 41% |
| Infrastructure & Public Services | 158GWh | 3.9% | 27% |
| Manufacturing | 19GWh | 2.2% | 6% |

Sales to the Mainland amounted to 407GWh over the first six months, a decrease of 34.0% over the same period last year due to a drop of electricity sales to Guangdong Power Grid Co., Ltd.

Total electricity sales, local and Mainland included, rose slightly by 0.1% to 15,838GWh.

At the end of March, the Hong Kong Government launched a public consultation on the future development of the electricity market. The consultation paper recognised that the electricity supply in Hong Kong, which is governed by the Scheme of Control, has been able to achieve the four energy policy objectives of safety, reliability, reasonable tariffs and environmental protection. The Government has therefore proposed a continuation of the current contractual arrangement with some enhancements.

The consultation paper also presented the results of the 2014 public consultation on future fuel mix for electricity generation, recognising that the clear majority of respondents supported additional local power generation through the adoption of natural gas. Consequently, the Government has proposed a fuel mix for Hong Kong by 2020 of approximately 50% gas, 25% nuclear, and 25% coal and renewable energy.

We submitted our views to the Government in June, in which we stressed that any new regulatory arrangements must maintain Hong Kong's unique advantages. They include supply safety, reliability, environmental performance, reasonable tariffs and sufficient incentives to encourage continued investment. We believe that any new regulatory arrangements should build on the existing framework and evolve along our three proposed guiding principles, namely Greener and Smarter Electricity, Enhanced Customer Experience and Effective Regulation, as laid out in our submission.

In response to the views received in last year's public consultation, the Government recognises the need for additional gas-fired generation units in Hong Kong. CLP is conducting an environmental impact assessment study to build additional gas-fired generation units in order to meet the Government's environmental targets. We aim to complete the study in the first half of 2016. The implementation of the project will take into account a host of factors including environmental requirements, electricity demand, technical feasibility, project economics and Government's approval.

To meet the tighter statutory emission caps for power generation which have taken effect in 2015, CLP needs to use more natural gas in place of coal to generate electricity. We have taken great care to manage our fuel cost, whilst continuing to meet our emission cap requirements. As a result of savings from the lower fuel cost due to falling international fuel prices in recent months, a special fuel rebate of 8 cents per unit will be credited to customers' accounts starting from mid-August 2015 based on consumption in the first half of 2015. The total amount of rebate, which was drawn from the Fuel Clause Recovery Account, was HK$1.267 billion.

In the first half of 2015, we invested HK$3.3 billion in generation, transmission and distribution networks as well as in customer services and supporting facilities. Some of the investments support the construction of major infrastructure projects in our service areas.

Despite the numerous thunderstorms in May and June, we were able to maintain our supply reliability at above 99.999%. This demonstrates our commitment and continuing efforts to improve the resilience of our power system through network reinforcement, asset refurbishment, preventive maintenance and emergency preparedness. Moreover, we continue to assist our customers in managing voltage dips through expert support, improved communications platforms and educational briefings.

CLP is fully committed to promoting energy efficiency. Our first-of-its-kind "Power Your Love" programme combines energy saving with helping those who are less fortunate in our society. Launched in April 2015, the programme encourages our residential customers to save energy by transferring the electricity saved to assist people in need. Direct financial donations can also be made by the public and CLP will match each donation dollar for dollar. A HK$6 million fund from CLP shareholders has been earmarked for the programme, which is anticipated to benefit about 20,000 underprivileged residential households.

To support green motoring in Hong Kong, CLP was the first to set up a network of charging stations with a variety of chargers across the city for different models of electric vehicles. In June, we introduced the first multi-standard quick charger in Hong Kong. There are now more than 140 charging points providing standard, semi-quick and quick charging services to electric vehicle owners. CLP has also extended its free charging services to the end of 2015. In May, we launched a new support service to simplify the installation of individual charging facilities for electric vehicles in residential and commercial buildings.

CLP is working to support distributed renewable energy facilities and so far, more than 200 such projects have been connected to our grid. We are also streamlining connection procedures to facilitate the installation of small-scale renewable energy systems, and enhancing customer support by offering a hotline and a more personalised service.

On demand side management, we are continuing our customer recruitment campaign for our Automated Demand Response programme. This programme enables our commercial and industrial customers to save electricity by meeting their pre-agreed load reduction targets during demand peaks. We have also shared with the Government our findings of myEnergy, an 18-month smart metering pilot programme to enable residential and small-to-medium commercial customers to save energy.

In addition, since the launch of Eco Building Fund, a matching fund to support energy efficiency improvement projects in the common areas of residential buildings in June 2014, we have received over 40 applications by the end of June 2015. So far, 12 applications have been approved, involving around HK$4.2 million.

Outlook

The future development of Hong Kong's electricity sector and its regulatory regime has far-reaching implications for our customers and the community. We welcome the opportunity to discuss with the Government possible refinements and improvements to the current regulatory arrangement with the mutual understanding that any framework must not compromise on safety, reliability, environmental performance and reasonable tariffs that are the cornerstones of our electricity supply today. We also look forward to a constructive dialogue with the wider community. Although the public consultation has ended, we will continue to engage with our stakeholders and participate in discussions over the future development of the regulatory arrangement and the electricity industry so that we can together find the most optimal arrangement to deliver the best long-term value for Hong Kong.

To prepare for the increase in use of natural gas in future years, we are exploring different supply options. At the same time, we are continuing our feasibility study of developing a floating liquefied natural gas storage regasification unit in Hong Kong.

Looking ahead, we are committed to serving our customers with a safe and reliable electricity supply at a reasonable cost, as we continue to strengthen our environmental performance. We will also invest in new energy efficiency initiatives, innovative technology and other conservation efforts in order to build a smarter and greener Hong Kong.

**Mainland China**

We have identified Mainland China as one of our key growth markets. As one of the largest external independent power producers in the market, we are continuing to expand our portfolio through renewable energy and high-efficiency coal-fired power generation.

Falling coal prices on both international and domestic markets contributed to positive returns for our coal-fired projects in Guangxi Zhuang Autonomous Region and Shandong. The lower coal prices have more than offset the impact of the reduction in on-grid tariff rates that took effect from April 2015, and have also compensated for reduced electricity dispatch from Fangchenggang Power Station (Fangchenggang) due to increased hydro generation throughout Guangxi. Fangchenggang has signed a steam supply contract with a nearby factory which may allow it to increase generation hours once that factory enters into large scale production. Power demand is also expected to increase over time as Guangxi continues to grow.

In March 2015, CLP secured an RMB3.56 billion (HK$4.45 billion) long-term non-recourse project financing agreement for the completion of Fangchenggang II (2 x 660MW). Construction of Fangchenggang II has been progressing well and commercial operation is targeted for the second half of 2016.

CLP has resumed booking its share of profit for the CSEC Guohua and Shenmu joint ventures, following the lapse of a share transfer agreement in December 2014, under which CLP intended to divest its interests in CLP Power China (Tianjin) Limited and CLP Power China (Shenmu) Limited which hold minority interests in the coal-fired assets.

To support Beijing’s efforts to combat air pollution, Beijing Yire Power Station ceased operation in March 2015, although the plant had complied fully with regulatory emissions requirements. We are working with our partner and the authorities on the relevant post-closure arrangements.

We are expanding our renewables portfolio as part of our investment strategy. In the first six months of 2015, we benefitted from the addition of two solar projects with a combined capacity of 135MW. These include Xicun Solar Power Station I, CLP’s first wholly-owned photovoltaic project in Mainland China and the first large-scale demonstration project of agriculture-and-solar integration in Yunnan commissioned in December 2014, as well as Sihong Solar Power Station in Jiangsu, which achieved commercial operation in February 2015. Both plants are performing well and have met our expectations on both power generation and financial performance. In addition, we received approval for Xicun Solar II in April 2015, and construction is now underway. We target to commission the 42MW plant by the end of this year.

Performance of Jinchang Solar Power Station in Gansu has improved through its entry into an electricity sales scheme promoted by the local government, providing extra generation hours. With the upgrade of a power grid stability control system for some transmission lines, grid curtailment was also reduced, resulting in higher loading.

Our coastal wind projects in Shandong are achieving returns that are consistent with our long-term expectations, but grid curtailment in northeastern China continues to hamper the performance of our assets in the region.

On the wind project development front, we have commenced construction for Sandu I in Guizhou and Xundian I in Yunnan (combined generation capacity of approximately 150MW). We also plan to kick off construction of CLP Laizhou I and Laiwu II in Shandong in the second half of the year. These two projects will add about 100MW to our renewable generation capacity.

On hydro, Jiangbian Hydro Power Station in Sichuan increased its power generation in the first six months of this year. However, generation of Huaiji Hydro Power Station in Guangdong dropped, due mainly to low reservoir water levels.

This year marks the 30th anniversary of our partnership with CGN Group in Guangdong Daya Bay Nuclear Power Station (GNPS). GNPS continued to operate smoothly in the first half of 2015 with no Licensing Operational Events reported in the period. Earnings in the six-month period were impacted due to a planned 10-year outage.

Outlook

In March 2015, the Central Government promulgated a power sector reform policy document (commonly referred to as “Document No. 9”) which sets out the blueprint of liberalisation of the electricity market. The key objective is to accelerate the development of market mechanism in the industry to introduce market competition and improve efficiency. CLP is closely monitoring the development and will explore potential opportunities that may arise.

We will continue our strategy of selective investment in renewables and high-efficiency coal-fired power generation. As part of this plan, we target to commission three wholly-owned wind and solar projects in the second half of 2015, adding about 200MW of renewable capacity. Besides, we expect to obtain project approval for Sandu Wind II (99MW) in Guizhou during the period. To help increase generation, Jiangbian Hydro in Sichuan will explore the signing of direct sales contracts. In addition to the local electricity sales scheme, Jinchang Solar in Gansu will look for other channels to improve generation.

In the second half of 2015, we expect our coal-fired projects to continue to benefit from low coal prices. We will continue to strengthen the operational performance of Fangchenggang by securing direct bulk sales with electricity users and press ahead with the construction of Fangchenggang II.

## India

In the first six months of 2015, CLP’s business in India continued to perform steadily, underpinning our strategy to position the country as another key growth market.

Jhajjar Power Station has benefitted from improved coal supply in the first half of this year. However, due to routine maintenance planned for the low demand season and a forced outage arising from a technical fault, the station experienced a marginal reduction in availability to about 76%, which is below the 80% level required to fully recover the capacity charges. These issues have been resolved and performance of the plant has continued to strengthen. The plant is expected to achieve availability of 80% in the second half of 2015.

In recent years, Paguthan has seen low utilisation due to the lack of affordably priced gas. In May 2015, with a new Government scheme to auction imported gas at subsidised prices, CLP India successfully secured gas for additional generation from June to September 2015. This is expected to increase Paguthan’s utilisation levels from less than 5% currently to approximately 13%.

The partial commissioning of Tejuva Wind Farm in Rajasthan and Chandgarh Wind Farm in Madhya Pradesh in the six-month period helped solidify CLP’s position as India’s largest wind power developer. Our operating wind capacity has increased 86MW to 817MW, with a further 264MW currently under development. Wind power generation during this period was lower than expected because of delay in the start of the high wind season and unusually gusty winds and sand storms which impacted generation from our projects in Rajasthan. Nevertheless, the early commissioning of Tejuva and Chandgarh partially reduced the impact of lower generation. Performance in the second half will depend on wind strength during the monsoon season which commenced recently.

On a separate note, CLP India achieved a significant financial milestone in April 2015. It became one of the first power sector companies in India to issue an asset-specific bond, raising Rs.4.76 billion (HK$579 million) for Jhajjar to refinance some of its current debts.

Outlook

With full commissioning of Tejuva and Chandgarh expected later this year, a further 115MW of new wind generation capacity will be added to our portfolio. In the meantime, we will continue to expand our renewable energy portfolio and evaluate opportunities for potential solar power projects. At Jhajjar, we will focus our collective efforts to achieve availability of at least 80% in the second half of 2015. All in all, we remain fully committed to our investments in India and continue to be cautiously optimistic about our future prospects towards doing business there.

**Southeast Asia and Taiwan**

The consistent, stable performance of Ho-Ping Power Station in Taiwan (20% owned by CLP) and the Lopburi solar farm in Thailand (one-third owned by CLP) contributed to strong operating earnings for our Southeast Asia and Taiwan business in the first half of 2015. Ho-Ping operated reliably and safely in this period and was able to benefit from the prevailing low coal prices. Lopburi, meanwhile, recorded good solar resources and maintained high plant availability.

In 2013, Ho-Ping Power Company (HPC) reached an agreement with Taiwan Power Company (Taipower) to reduce its tariffs from late 2012. In March 2015, Taipower made an unjustified claim for additional compensation of NT$5,266 million (CLP's share represents about HK$264 million) and HPC has rejected the claim. Separately, HPC continues to pursue and defend its position in the litigation against a penalty imposed by the Taiwan Fair Trade Commission (FTC) relating to HPC's tariff reduction negotiation with Taipower. HPC received a favourable ruling in 2014, but following an appeal by the FTC, the decision has been ordered to be re-examined.

In Vietnam, we continued the development of Vung Ang II and Vinh Tan III coal-fired projects. Negotiations with the Vietnamese Government for Vung Ang II have been narrowed down to a few key issues related to the Build-Operate-Transfer Contract (BOTC) and acceptance of the final tariff under the Power Purchase Agreement (PPA). Once these matters are resolved, we will be able to proceed with financing. For Vinh Tan III, equipment supply and construction contracts have been finalised, and negotiations on the project's BOTC and PPA are continuing.

Outlook

We will focus on maintaining a safe and reliable operation for Ho-Ping and Lopburi. In Vietnam, we are hopeful that negotiations with the Vietnamese Government on the BOTCs and PPAs of Vung Ang II and Vinh Tan III will reach a final stage to allow financing arrangements to proceed. This, in turn, will permit final investment decisions on the projects to be made.

**Australia**

In the first half of 2015, EnergyAustralia refreshed its strategy in order to sharpen its focus on customers and to optimise its generation portfolio. The management team has been strengthened, including the addition of professionals with extensive retail experience to ensure the company has the necessary expertise to execute on this strategy.

During this period, the performance of EnergyAustralia's retail business has benefitted from initiatives undertaken in 2014. This includes the completion of the migration of customer accounts onto one billing system and the consolidation of call centre facilities late last year. These initiatives, together with better management of systems, greater reliability of the billing platform and less manual processing, put the company on track to reduce full-year retail business costs by A$100 million by 2016 compared to 2013. Along with ongoing retail marketing activities, these initiatives also assisted in holding customer numbers steady across the first half of 2015. However, competition in the market increased towards the end of the six-month period. In response to this, EnergyAustralia launched a major new television advertising and brand promotion in June to support its customer-centric focus.

Amidst a challenging wholesale electricity market, EnergyAustralia has strengthened the profitability of its existing operations and remained focused on managing its asset portfolio.

At Yallourn Power Station, EnergyAustralia completed a major maintenance programme safely, within budget and to schedule. The work was part of a five-year programme which delivered a 2.7% improvement in generation efficiency at the plant's second generating unit.

In April, EnergyAustralia completed the sale of its 25% equity interest in Waterloo Wind Farm in South Australia. It continues to operate the project and receives 50% of its generation through a long-term PPA. EnergyAustralia has in place two further long-term PPAs for the Boco Rock and Taralga wind projects in New South Wales (NSW) which began commercial operation in the first half of 2015. Together with the Gullen Range PPA that came into effect in October 2014, these arrangements see EnergyAustralia as the largest offtaker for wind energy in NSW.

In June, EnergyAustralia initiated a competitive process aimed at gauging market interest in the company's gas storage facility and processing plant at Iona in southern Victoria. This process remains in progress.

The energy policy environment in Australia continues to be challenging. In May, the Federal Government and the opposition Labor Party agreed on a revised Renewable Energy Target (RET) of 33,000 gigawatt hours per year to be delivered from renewable energy sources by 2020. EnergyAustralia will continue to meet its obligations under the scheme in the most cost-effective manner.

In addition to these initiatives within the retail and wholesale businesses, EnergyAustralia has introduced changes at the corporate level. These changes are designed to ensure that processes best managed at the centre of the business are concentrated there with the appropriate resources and expertise to deliver cost-effective and fit-for-purpose services to the organisation.

EnergyAustralia also completed refinancing of its debt facilities. The refinancing will extend the debt maturity profile while maintain flexibility and reduce interest costs.

On 25 May 2015, Standard & Poor's (S&P) revised EnergyAustralia's rating outlook to stable from negative and affirmed its BBB- credit rating, reflecting S&P's views of EnergyAustralia's stabilised operating performance.

Outlook

The electricity retail market is expected to remain highly competitive in the second half of 2015. In the wholesale market, the business continues to face flat demand and oversupply. There are some positive signs, however. A recent forecast by the Australian Energy Market Operator (AEMO) points to an increase in demand for the first time in seven years in 2015/16. In addition, the market has seen further signs of supply-side adjustment by our peers following the closure of EnergyAustralia's Wallerawang Power Station in 2014. This has included both the shutdown of facilities and confirmation of the anticipated closure timeframe of old coal-fired generation facilities. However, the recovery in demand is expected to be gradual and AEMO also forecasts the wholesale market will remain significantly oversupplied in 2015. To improve the economic sustainability of the wholesale market, we believe there will need to be an industry-led, government-supported solution to this chronic oversupply.

Whilst changes to EnergyAustralia's internal structure and systems have delivered improvements, it is still in the early stage of a turnaround and more work is needed to restore value to the business. Over the remainder of the year, the management team will focus on embedding the new corporate structure, improving customer service, lifting cost efficiency and enhancing productivity.

**Human Resources**

As at 30 June 2015, the Group employed 7,278 staff (2014: 7,208), of whom 4,157 were employed in the Hong Kong electricity and related business, 2,878 by our businesses in Mainland China, India, Southeast Asia, Taiwan and Australia, as well as 243 by CLP Holdings. Total remuneration for the six months ended 30 June 2015 amounted to HK$2,463 million (2014: HK$2,663 million), including retirement benefit costs of HK$198 million (2014: HK$179 million).

**Safety**

Safety has always been one of our core values. This applies to all our stakeholders including employees, contractors and customers. Our goal is zero injuries in all assets. In the first six months of 2015, our safety performance remained steady compared with the same period in 2014. We had no fatal incidents and total safety performance for employees and contractors combined improved from a year ago, as reflected by the lower Lost Time Injury Rate (LTIR)[1] and Total Recordable Injury Rate (TRIR)[2] (see table below). However, the safety performance of CLP employees deteriorated, due to three minor lost time injury cases in Yallourn of Australia and Jhajjar of India, as opposed to only one such case last year.

| | Employees | | Employees and Contractors | |
|---|---|---|---|---|
| | Jan – Jun 2015 | Jan – Jun 2014 | Jan – Jun 2015 | Jan – Jun 2014 |
| LTIR[1] | 0.10 | 0.02 | 0.07 | 0.09 |
| TRIR[2] | 0.22 | 0.15 | 0.22 | 0.36 |

Notes:
1 The number of lost time injuries measured over 200,000 working hours of exposure
2 The number of recordable injuries measured over 200,000 working hours of exposure

We continued to implement the Health, Safety, Security and Environment (HSSE) Management System Standard and 10 Critical Risk Standards across the CLP Group. As mentioned previously, we are confident that the new Standards will enable us to perform better and align our safety practices across the CLP Group.

We have implemented a behaviour safety programme for the construction of Fangchenggang II. Unlike traditional methods, this approach focuses on day-to-day behaviour of the contractors and employees. It also emphasises the importance of discussions and sharing of problems and challenges. So far, we are encouraged by the response to the programme with early indications suggesting it is improving safety awareness and performance.

In the coming months, we plan to put greater efforts into the health aspect of HSSE and introduce new health-related guidelines on such topics as health risk assessment and fatigue management, to raise awareness among staff.

**Environment**

In the first half of the year, we implemented a number of environmental standards and guidelines throughout our operations to further strengthen our internal management on material environmental issues such as environmental impact assessment, air emission, and data management. We also embarked on detailed studies on upcoming environmental issues to ensure that we are well prepared to meet new requirements and beyond.

Compliance

CLP Group had had no environmental regulatory non-compliance incidents in the first half of 2015 that resulted in fines or prosecutions, but there were a few occasional licence limit exceedances. Whilst CLP takes great effort to avoid any incidents, such exceedances are within normal power plant operational fluctuations and could be the result of a range of situations including maintenance works and start-up/shut down conditions. These are short episodic minor incidents that neither bear significant or additional impact on the environment nor result in any regulatory sanctions.

Climate Change

During the first six-month period, the Group's carbon intensity remained around 0.84kg $CO_2$/kWh, similar to our 2014 level. We anticipate our carbon intensity to continue to fluctuate in the foreseeable future as we implement our business strategy and invest in our growth markets, where the most attractive investments are predominantly coal-based. We will, nevertheless, continue to strive for the highest possible efficiency for our thermal projects and invest in renewable energy. We also remain committed to working towards our challenging Climate Vision 2050 goals and acknowledge that Government policies will play a key role in the timing of when we achieve our targets.

To support the development of a policy environment that will lead to action on climate change, CLP has been actively involved in global business efforts to encourage a meaningful agreement in the United Nations Climate Change Conference in Paris (COP21) at the end of the year. In particular, CLP has committed to adopting a science-based emissions reduction target, reporting climate change information in mainstream reports as a fiduciary duty, and taking part in responsible corporate engagement in climate policy. However, great emphasis will need to be placed on developing national and local policies and regulation that support climate change initiatives so that businesses, including CLP, can help deliver solutions to meet the world's climate change challenge.

Air Quality

As our portfolio of power plants span across the Asia Pacific region, we experience much polarised requirements on environmental pollution in various countries of vastly different development stages. In light of these, we have developed and adopted a set of internal fossil fuel power plant air emissions requirements as the minimum performance requirements for our portfolio, even if the requirements are more stringent than local regulations.

In Hong Kong, we are committed to improving air quality and complying with the Government's 2015 emissions caps against a projected growth in electricity demand. According to the Government's blueprint, compared to 2010, we are required to cut our sulphur dioxide ($SO_2$) emissions by over 60% and nitrogen oxides ($NO_x$) and respirable suspended particulates (RSP) by over 30%. To meet such stringent requirements, our consumption of gas in 2015 will need to be almost double that of 2014. In addition, we have imported additional nuclear energy from Daya Bay on a temporary basis, made use of more low-emission coal and enhanced the operational performance of our emission reduction equipment.

**Sustainability Report**

Published in March 2015, our 2014 Sustainability Report was our first report written in accordance with the Global Reporting Initiative (GRI) G4 Guidelines, utilising the "Core" option. It is also available in eXtensible Business Reporting Language, or XBRL, format, which is a standards-based method for companies to report financial and business information. To help us understand our sustainability performance relative to other companies on both a regional and global basis, we respond to a selection of investor surveys and indices on an annual basis. In the first half of 2015, we responded to CDP (previously known as Carbon Disclosure Project), the Dow Jones Sustainability Index and the Hang Seng Corporate Sustainability Index. Results of these indices will be available in the second half of 2015.

**FINANCIAL INFORMATION**

*The financial information set out below in this announcement represents an extract from the condensed consolidated interim financial statements, which are unaudited but have been reviewed by the Group's external auditor, PricewaterhouseCoopers (PwC), in accordance with Hong Kong Standard on Review Engagements 2410 and by the Audit Committee. PwC's unmodified review report is included in the Interim Report to be sent to shareholders.*

## *Consolidated Statement of Profit or Loss – Unaudited*

| | | **Six months ended 30 June** | |
|---|---|---|---|
| | | **2015** | 2014 |
| | *Note* | **HK$M** | HK$M |
| **Revenue** | *2, 3* | **39,985** | 47,102 |
| Expenses | | | |
| Purchases of electricity, gas and distribution services | | **(15,904)** | (20,625) |
| Operating lease and lease service payments | | **-** | (3,606) |
| Staff expenses | | **(1,862)** | (1,953) |
| Fuel and other operating expenses | | **(11,040)** | (10,497) |
| Depreciation and amortisation | | **(3,362)** | (3,260) |
| | | **(32,168)** | (39,941) |
| Other gain | | **-** | 2,025 |
| Operating profit | *4* | **7,817** | 9,186 |
| Finance costs | | **(1,552)** | (2,538) |
| Finance income | | **83** | 62 |
| Share of results, net of income tax | | | |
| Joint ventures | | **861** | 964 |
| An associate | | **371** | 401 |
| Profit before income tax | | **7,580** | 8,075 |
| Income tax expense | *5* | **(1,315)** | (1,182) |
| Profit for the period | | **6,265** | 6,893 |
| **Earnings attributable to:** | | | |
| **Shareholders** | | **5,723** | 6,721 |
| Perpetual capital securities holders | | **123** | 29 |
| Other non-controlling interests | | **419** | 143 |
| | | **6,265** | 6,893 |
| **Earnings per share, basic and diluted** | *7* | **HK$2.27** | HK$2.66 |

***Consolidated Statement of Profit or Loss and Other Comprehensive Income – Unaudited***

| | Six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | **HK$M** | HK$M |
| **Profit for the period** | **6,265** | 6,893 |
| Other comprehensive income | | |
| Items that can be reclassified to profit or loss | | |
| Exchange differences on translation | **(1,677)** | 1,492 |
| Cash flow hedges | **(233)** | (461) |
| Fair value changes on available-for-sale investments | **98** | - |
| Reclassification adjustment upon sale/loss of joint control of joint ventures | **17** | (422) |
| Share of other comprehensive income of joint ventures | **(3)** | 19 |
| | **(1,798)** | 628 |
| Items that cannot be reclassified to profit or loss | | |
| Share of other comprehensive income of joint ventures | **110** | (49) |
| **Other comprehensive income for the period, net of tax** | **(1,688)** | 579 |
| Total comprehensive income for the period | **4,577** | 7,472 |
| **Total comprehensive income attributable to:** | | |
| **Shareholders** | **4,035** | 7,303 |
| Perpetual capital securities holders | **123** | 29 |
| Other non-controlling interests | **419** | 140 |
| | **4,577** | 7,472 |

## *Consolidated Statement of Financial Position – Unaudited*

| | Note | 30 June 2015 HK$M | (Audited) 31 December 2014 HK$M |
|---|---|---|---|
| **Non-current assets** | | | |
| Fixed assets | 8 | **128,897** | 128,133 |
| Leasehold land and land use rights under operating leases | 8 | **5,618** | 5,696 |
| Investment property | 8 | **2,757** | 2,554 |
| Goodwill and other intangible assets | | **29,534** | 31,129 |
| Interests in joint ventures | | **11,725** | 11,176 |
| Interest in an associate | | **1,146** | 786 |
| Finance lease receivables | | **860** | 898 |
| Deferred tax assets | | **3,270** | 3,828 |
| Derivative financial instruments | | **3,103** | 3,120 |
| Available-for-sale investments | | **1,805** | 1,707 |
| Other non-current assets | | **179** | 111 |
| | | **188,894** | 189,138 |
| **Current assets** | | | |
| Inventories – stores and fuel | | **3,764** | 3,618 |
| Renewable energy certificates | | **678** | 1,086 |
| Trade and other receivables | 9 | **16,051** | 15,719 |
| Finance lease receivables | | **52** | 50 |
| Derivative financial instruments | | **619** | 659 |
| Bank balances, cash and other liquid funds | | **4,149** | 4,393 |
| | | **25,313** | 25,525 |
| **Current liabilities** | | | |
| Customers' deposits | | **(4,741)** | (4,653) |
| Trade and other payables | 10 | **(20,144)** | (21,620) |
| Income tax payable | | **(1,263)** | (790) |
| Bank loans and other borrowings | | **(16,715)** | (9,636) |
| Derivative financial instruments | | **(625)** | (709) |
| | | **(43,488)** | (37,408) |
| Net current liabilities | | **(18,175)** | (11,883) |
| **Total assets less current liabilities** | | **170,719** | 177,255 |

## *Consolidated Statement of Financial Position – Unaudited (continued)*

| | *Note* | **30 June 2015 HK$M** | (Audited) 31 December 2014 HK$M |
|---|---|---|---|
| **Financed by:** | | | |
| **Equity** | | | |
| Share capital | | **23,243** | 23,243 |
| Reserves | | **64,889** | 64,770 |
| Shareholders' funds | | **88,132** | 88,013 |
| Perpetual capital securities | | **5,791** | 5,791 |
| Other non-controlling interests | | **2,079** | 2,155 |
| | | **96,002** | 95,959 |
| **Non-current liabilities** | | | |
| Bank loans and other borrowings | | **52,631** | 57,799 |
| Deferred tax liabilities | | **13,534** | 13,418 |
| Derivative financial instruments | | **3,225** | 3,062 |
| Fuel clause account | *11* | **1,597** | 2,966 |
| Scheme of Control (SoC) reserve accounts | *12* | **822** | 1,131 |
| Asset decommissioning liabilities | | **1,114** | 1,082 |
| Other non-current liabilities | | **1,794** | 1,838 |
| | | **74,717** | 81,296 |
| **Equity and non-current liabilities** | | **170,719** | 177,255 |

***Notes:***

## 1. Basis of Preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (HKAS) 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's annual consolidated financial statements for the year ended 31 December 2014, except for the adoption of the following revised Hong Kong Financial Reporting Standards (HKFRS) effective 1 January 2015:

- Annual Improvement to HKFRS 2010-2012 Cycle
- Annual Improvement to HKFRS 2011-2013 Cycle

The adoption of these revised HKFRS has had no significant impact on the results and financial position of the Group.

The condensed consolidated interim financial statements were approved for issue by the Board of Directors on 13 August 2015.

## 2. Revenue

An analysis of the Group's revenue is as follows:

| | **Six months ended 30 June** | |
|---|---|---|
| | **2015** | 2014 |
| | **HK$M** | HK$M |
| Sales of electricity | **34,016** | 40,126 |
| Sales of gas | **3,055** | 3,588 |
| Operating lease income under Power Purchase Agreement (PPA) | **1,767** | 1,555 |
| Lease service income under PPA | **221** | 140 |
| Finance lease income under PPA | **69** | 77 |
| Other revenue | **579** | 1,651 |
| | **39,707** | 47,137 |
| Transfer for SoC to/(from) revenue (note) | **278** | (35) |
| | **39,985** | 47,102 |

Note: Under the SoC, if the gross tariff revenue in Hong Kong in a period is less than or exceeds the total of the SoC operating costs, permitted return and taxation charges, such deficiency shall be deducted from, or such excess shall be added to, the Tariff Stabilisation Fund under the SoC (Note 12). In any period, the amount of deduction from or addition to the Tariff Stabilisation Fund is recognised as revenue adjustment to the extent that the return and charges under the SoC are recognised in the profit or loss.

## 3. Segment Information

The Group operates, through its subsidiaries, joint ventures and an associate, in five major geographical regions – Hong Kong, Mainland China, India, Southeast Asia and Taiwan, and Australia. In accordance with the Group's internal organisation and reporting structure, the operating segments are based on geographical regions. Substantially all the principal activities of the Group in each region are for the generation and supply of electricity which are managed and operated on an integrated basis.

Information about the Group's operations by geographical region is as follows:

| | Hong Kong HK$M | Mainland China HK$M | India HK$M | Southeast Asia & Taiwan HK$M | Australia HK$M | Unallocated Items HK$M | Total HK$M |
|---|---|---|---|---|---|---|---|
| **Six months ended 30 June 2015** | | | | | | | |
| Revenue | 18,475 | 378 | 2,456 | 3 | 18,671 | 2 | **39,985** |
| EBITDAF[(a)] of subsidiaries | 8,261 | 339 | 880 | (7) | 1,934 | (250) | **11,157** |
| Share of results, net of income tax | | | | | | | |
| Joint ventures | - | 714 | - | 146 | 1 | - | **861** |
| An associate | - | 371 | - | - | - | - | **371** |
| EBITDAF of the Group | 8,261 | 1,424 | 880 | 139 | 1,935 | (250) | **12,389** |
| Depreciation and amortisation | (2,056) | (257) | (266) | - | (761) | (22) | **(3,362)** |
| Fair value adjustments | 11 | - | - | - | 11 | - | **22** |
| Finance costs | (581) | (101) | (409) | - | (440) | (21) | **(1,552)** |
| Finance income | 1 | 31 | 20 | 1 | 8 | 22 | **83** |
| Profit/(loss) before income tax | 5,636 | 1,097 | 225 | 140 | 753 | (271) | **7,580** |
| Income tax expense | (854) | (70) | (131) | - | (260) | - | **(1,315)** |
| Profit/(loss) for the period | 4,782 | 1,027 | 94 | 140 | 493 | (271) | **6,265** |
| Earnings attributable to | | | | | | | |
| Perpetual capital securities holders | (123) | - | - | - | - | - | **(123)** |
| Other non-controlling interests | (417) | (2) | - | - | - | - | **(419)** |
| Earnings/(loss) attributable to shareholders | 4,242 | 1,025 | 94 | 140 | 493 | (271) | **5,723** |
| Excluding: One-off items | (198) | - | - | - | - | - | **(198)** |
| Operating earnings | 4,044 | 1,025 | 94 | 140 | 493 | (271) | **5,525** |
| **At 30 June 2015** | | | | | | | |
| Fixed assets | 98,495 | 5,726 | 11,561 | - | 12,977 | 138 | **128,897** |
| Goodwill and other intangible assets | 5,545 | 5,337 | 29 | - | 18,623 | - | **29,534** |
| Interests in joint ventures | 18 | 10,024 | - | 1,659 | 24 | - | **11,725** |
| Interest in an associate | - | 1,146 | - | - | - | - | **1,146** |
| Deferred tax assets | - | 94 | - | - | 3,176 | - | **3,270** |
| Other assets | 16,903 | 3,930 | 5,703 | 79 | 11,419 | 1,601 | **39,635** |
| Total assets | 120,961 | 26,257 | 17,293 | 1,738 | 46,219 | 1,739 | **214,207** |
| Bank loans and other borrowings | 41,464 | 3,826 | 9,161 | - | 13,357 | 1,538 | **69,346** |
| Current and deferred tax liabilities | 12,891 | 1,458 | 448 | - | - | - | **14,797** |
| Other liabilities | 23,945 | 1,143 | 741 | 2 | 8,068 | 163 | **34,062** |
| Total liabilities | 78,300 | 6,427 | 10,350 | 2 | 21,425 | 1,701 | **118,205** |

Note:

(a) EBITDAF refers to Earnings before interest, tax, depreciation and amortisation, and fair value adjustments.

## 3. Segment Information (continued)

| | Hong Kong HK$M | Mainland China HK$M | India HK$M | Southeast Asia & Taiwan HK$M | Australia HK$M | Unallocated Items HK$M | Total HK$M |
|---|---|---|---|---|---|---|---|
| Six months ended 30 June 2014 | | | | | | | |
| Revenue | 16,843 | 378 | 2,165 | 3 | 27,711 | 2 | 47,102 |
| EBITDAF of subsidiaries | 9,422 | 195 | 862 | (20) | 2,355 | (315) | 12,499 |
| Share of results, net of income tax | | | | | | | |
| Joint ventures | 411 | 424 | - | 131 | (2) | - | 964 |
| An associate | - | 401 | - | - | - | - | 401 |
| EBITDAF of the Group | 9,833 | 1,020 | 862 | 111 | 2,353 | (315) | 13,864 |
| Depreciation and amortisation | (1,917) | (158) | (238) | - | (927) | (20) | (3,260) |
| Fair value adjustments | 3 | - | - | - | (56) | - | (53) |
| Finance costs | (1,465) | (101) | (399) | - | (532) | (41) | (2,538) |
| Finance income | 7 | 2 | 24 | 2 | 14 | 13 | 62 |
| Profit/(loss) before income tax | 6,461 | 763 | 249 | 113 | 852 | (363) | 8,075 |
| Income tax expense | (684) | (64) | (167) | - | (267) | - | (1,182) |
| Profit/(loss) for the period | 5,777 | 699 | 82 | 113 | 585 | (363) | 6,893 |
| Earnings attributable to | | | | | | | |
| Perpetual capital securities holders | (29) | - | - | - | - | - | (29) |
| Other non-controlling interests | (136) | (7) | - | - | - | - | (143) |
| Earnings/(loss) attributable to shareholders | 5,612 | 692 | 82 | 113 | 585 | (363) | 6,721 |
| Excluding: One-off items | (1,953) | - | - | - | - | - | (1,953) |
| Operating earnings | 3,659 | 692 | 82 | 113 | 585 | (363) | 4,768 |
| At 31 December 2014 | | | | | | | |
| Fixed assets | 97,372 | 5,364 | 11,259 | - | 13,982 | 156 | 128,133 |
| Goodwill and other intangible assets | 5,545 | 5,471 | 29 | - | 20,084 | - | 31,129 |
| Interests in joint ventures | 18 | 9,177 | - | 1,723 | 258 | - | 11,176 |
| Interest in an associate | - | 786 | - | - | - | - | 786 |
| Deferred tax assets | - | 95 | 6 | - | 3,727 | - | 3,828 |
| Other assets | 15,819 | 5,024 | 5,341 | 70 | 12,251 | 1,106 | 39,611 |
| Total assets | 118,754 | 25,917 | 16,635 | 1,793 | 50,302 | 1,262 | 214,663 |
| Bank loans and other borrowings | 40,644 | 3,516 | 8,656 | - | 14,619 | - | 67,435 |
| Current and deferred tax liabilities | 12,322 | 1,483 | 403 | - | - | - | 14,208 |
| Other liabilities | 24,571 | 1,611 | 724 | 3 | 9,936 | 216 | 37,061 |
| Total liabilities | 77,537 | 6,610 | 9,783 | 3 | 24,555 | 216 | 118,704 |

## 4. Operating Profit

Operating profit is stated after charging/(crediting) the following:

| | Six months ended 30 June 2015 HK$M | 2014 HK$M |
|---|---|---|
| **Charging** | | |
| Staff costs | | |
| Salaries and other costs | **1,709** | 1,831 |
| Retirement benefits costs | **153** | 122 |
| Net fair value (gain)/loss on non-financing related derivative financial instruments | | |
| Cash flow hedges, reclassified from equity to | | |
| Purchases of electricity, gas and distribution services | **(130)** | (140) |
| Fuel and other operating expenses | **(102)** | (63) |
| Transactions not qualifying as hedges | **(22)** | 53 |
| Loss on disposal of Waterloo (note) | **42** | - |
| Net loss/(gain) on disposal of fixed assets | **118** | (11) |
| **Crediting** | | |
| Net exchange (gain)/loss | **(15)** | 110 |
| Revaluation gain on investment property | **(198)** | - |

Note: In April 2015, the Group sold its entire interest in Waterloo Investment Holdings Pty Ltd (Waterloo), a joint venture in Australia, for a consideration of HK$202 million (A$33 million) with a loss of HK$42 million (2014: nil).

## 5. Income Tax Expense

| | Six months ended 30 June 2015 HK$M | 2014 HK$M |
|---|---|---|
| Current income tax | | |
| Hong Kong | **688** | 492 |
| Outside Hong Kong | **202** | 102 |
| | **890** | 594 |
| Deferred tax | | |
| Hong Kong | **166** | 191 |
| Outside Hong Kong | **259** | 397 |
| | **425** | 588 |
| | **1,315** | 1,182 |

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the period. Income tax on profits assessable outside Hong Kong has been provided at the rates prevailing in the respective jurisdictions.

## 6. Dividends

| | Six months ended 30 June | | | |
|---|---|---|---|---|
| | **2015** | | 2014 | |
| | **HK$ per share** | **HK$M** | HK$ per share | HK$M |
| First interim dividend paid | **0.55** | **1,390** | 0.54 | 1,364 |
| Second interim dividend declared | **0.55** | **1,390** | 0.54 | 1,364 |
| | **1.10** | **2,780** | 1.08 | 2,728 |

At the Board meeting held on 13 August 2015, the Directors declared the second interim dividend of HK$0.55 per share (2014: HK$0.54 per share). The second interim dividend is not reflected as a dividend payable in the interim financial statements.

## 7. Earnings per Share

The earnings per share are computed as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| Earnings attributable to shareholders (HK$M) | **5,723** | 6,721 |
| Number of shares in issue (thousand shares) | **2,526,451** | 2,526,451 |
| Earnings per share (HK$) | **2.27** | 2.66 |

Basic and fully diluted earnings per share are the same as the Company did not have any dilutive equity instruments throughout the six months ended 30 June 2015 and 30 June 2014.

## 8. Fixed Assets, Leasehold Land and Land Use Rights under Operating Leases and Investment Property

Fixed assets, leasehold land and land use rights under operating leases and investment property totalled HK$137,272 million at 30 June 2015 (31 December 2014: HK$136,383 million). Movements in the accounts are as follows:

| | Fixed Assets | | | | | Leasehold Land and Land Use Rights under Operating Leases | Investment Property (note) |
|---|---|---|---|---|---|---|---|
| | Land | | | | | | |
| | Freehold HK$M | Leased HK$M | Buildings HK$M | Plant, Machinery and Equipment HK$M | Total HK$M | HK$M | HK$M |
| Net book value at 1 January 2015 | 712 | 486 | 19,652 | 107,283 | 128,133 | 5,696 | 2,554 |
| Additions | - | - | 381 | 4,418 | 4,799 | 7 | 5 |
| Revaluation surplus | - | - | - | - | - | - | 198 |
| Transfers and disposals | - | - | (87) | (74) | (161) | - | - |
| Depreciation/amortisation | - | (7) | (299) | (2,580) | (2,886) | (85) | - |
| Exchange differences | (23) | - | (37) | (928) | (988) | - | - |
| **Net book value at 30 June 2015** | **689** | **479** | **19,610** | **108,119** | **128,897** | **5,618** | **2,757** |
| Cost/valuation | 705 | 592 | 30,982 | 188,160 | 220,439 | 6,265 | 2,757 |
| Accumulated depreciation/ amortisation and impairment | (16) | (113) | (11,372) | (80,041) | (91,542) | (647) | - |
| **Net book value at 30 June 2015** | **689** | **479** | **19,610** | **108,119** | **128,897** | **5,618** | **2,757** |

Note: The Group's investment property is located at Argyle Street, Kowloon.

## 9. Trade and Other Receivables

| | 30 June 2015 HK$M | 31 December 2014 HK$M |
|---|---|---|
| Trade receivables (note) | **13,128** | 11,040 |
| Deposits, prepayments and other receivables | **2,521** | 2,566 |
| Dividend receivables from | | |
| Joint ventures | **232** | 1,127 |
| An associate | **-** | 785 |
| An available-for-sale investment | **1** | 64 |
| Current accounts with | | |
| Joint ventures | **168** | 136 |
| An associate | **1** | 1 |
| | **16,051** | 15,719 |

Note: The Group has established credit policies for customers in each of its retail businesses. CLP Power Hong Kong Limited (CLP Power Hong Kong)'s credit policy in respect of receivables arising from its principal electricity business is to allow customers to settle their electricity bills within two weeks after issue. Customers' receivable balances are generally secured by cash deposits or bank guarantees. For subsidiaries outside Hong Kong, the credit term for trade receivables ranges from about 14 to 90 days.

EnergyAustralia determines its doubtful debts provisioning by grouping together trade receivables with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic conditions. Future cash flows for each group of trade receivables are estimated on the basis of historical loss experience, adjusted to reflect the effects of current conditions. As a result of this credit risk assessment, virtually all of the credit risk groupings have been subject to some level of impairment. Receivable balances relating to known insolvencies are individually impaired.

The ageing analysis of the trade receivables based on invoice date is as follows:

| | 30 June 2015 HK$M | 31 December 2014 HK$M |
|---|---|---|
| 30 days or below | **11,032** | 8,596 |
| 31 – 90 days | **692** | 976 |
| Over 90 days | **1,404** | 1,468 |
| | **13,128** | 11,040 |

## 10. Trade and Other Payables

| | 30 June 2015 HK$M | 31 December 2014 HK$M |
|---|---|---|
| Trade payables (note) | **5,872** | 8,230 |
| Other payables and accruals | **6,516** | 6,223 |
| Advances from non-controlling interests | **6,869** | 6,703 |
| Current accounts with | | |
| Joint ventures | **1** | 2 |
| An associate | **625** | 139 |
| Deferred revenue | **261** | 323 |
| | **20,144** | 21,620 |

Note: The ageing analysis of the trade payables based on invoice date is as follows:

| | 30 June 2015 HK$M | 31 December 2014 HK$M |
|---|---|---|
| 30 days or below | **5,603** | 8,031 |
| 31 – 90 days | **226** | 155 |
| Over 90 days | **43** | 44 |
| | **5,872** | 8,230 |

## 11. Fuel Clause Account

CLP Power Hong Kong has committed to provide a special fuel rebate to customers of HK¢8 per unit based on their electricity consumption between January and June 2015 from the Fuel Clause Account. The Fuel Clause Account balance as at 30 June 2015 reflected the deduction of such special fuel rebate to customers totalling HK$1,267 million.

## 12. SoC Reserve Accounts

The Tariff Stabilisation Fund, Rate Reduction Reserve and Rent and Rates Interim Refunds of the Group's major subsidiary, CLP Power Hong Kong, are collectively referred to as SoC reserve accounts. The respective balances at the end of the period/year are:

| | **30 June 2015 HK$M** | 31 December 2014 HK$M |
|---|---|---|
| Tariff Stabilisation Fund | **749** | 1,058 |
| Rate Reduction Reserve | **1** | 1 |
| Rent and Rates Interim Refunds (note) | **72** | 72 |
| | **822** | 1,131 |

Note: CLP Power Hong Kong is challenging the amount of Government rent and rates levied dating back to the year of assessment 2001/02. While the original Lands Tribunal judgment and the subsequent judgment on the review of valuation matters were received in CLP Power Hong Kong's favour, the final resolution of the case will be subject to the outcome of appeals to the Court of Appeal against the Lands Tribunal judgment on points of law.

Interim refunds totalling HK$1,713 million were received by CLP Power Hong Kong from the Hong Kong Government during 2012 and 2014. These interim refunds were made by the Hong Kong Government without prejudice to the final outcome of the appeals which means that these amounts will be adjusted by reference to the decisions of the Lands Tribunal and subsequent appeals.

Based on the latest development of the case, CLP Power Hong Kong maintains that it would recover no less than interim refunds received to date in the final outcome of these appeals. The interim refunds continued to be classified within the SoC reserve accounts. The Rent and Rates Special Rebate provided to customers during 2012 and 2013 with the amounts of interim refunds received in 2012 and 2013 of HK$1,641 million had been offset against the interim refunds received.

In the event that the final amount recovered on conclusion of these appeals is less than the total amount rebated to customers, CLP Power Hong Kong will seek to recover any shortfall in the amounts of Rent and Rates Special Rebate already paid to customers. Similarly, if the final amount recovered exceeds the special rebates paid out, these additional amounts will be returned to customers.

## 13. Commitments

(A) Capital expenditure on fixed assets, leasehold land and land use rights under operating leases, investment property and intangible assets, contracted but not recorded in the statement of financial position amounted to HK$5,727 million at 30 June 2015 (31 December 2014: HK$5,859 million).

(B) The Group has entered into a number of joint arrangements to develop power projects. At 30 June 2015, remaining equity contributions of HK$111 million (31 December 2014: HK$111 million) were required to be made by the Group.

(C) At 30 June 2015, the Group's share of capital commitments of its joint ventures was HK$2,408 million (31 December 2014: HK$3,512 million).

## 14. Contingent Liabilities

(A) CLP India – Deemed Generation Incentive Payment and Interest on Deemed Loans

Under the original power purchase agreement between CLP India Private Limited (CLP India) and its offtaker Gujarat Urja Vikas Nigam Limited (GUVNL), GUVNL was required to make a "deemed generation incentive" payment to CLP India when the plant availability of Paguthan Plant (Paguthan) was above 68.5% (subsequently revised to 70% in 2003 and 80% in 2013). GUVNL has been making such payments since December 1997.

In September 2005, GUVNL filed a petition before the Gujarat Electricity Regulatory Commission (GERC) claiming that the "deemed generation incentive" payment should not be paid for the periods when Paguthan is declared with availability to generate on "naphtha" as fuel rather than on "gas". GUVNL's contention is based on a 1995 Government of India notification which disallowed "deemed generation incentive" for naphtha-based power plants. The total amount of the claim plus interest calculated up to June 2005 amounts to about Rs.7,260 million (HK$884 million). CLP India's position, amongst other arguments, is that Paguthan is not naphtha-based and therefore the Government of India notification does not apply to disallow the payments of the "deemed generation incentive".

GUVNL also claimed that CLP India has wrongly received interest on "deemed loans" under the existing power purchase agreement. GUVNL's claim rests on two main grounds: (i) CLP India had agreed that interest paid by GUVNL for the period from December 1997 to 1 July 2003 was to be refunded; and (ii) interest was to be calculated on a reducing balance rather than on the basis of a bullet repayment on expiry of the loan term. The total amount of the claim plus interest for the "deemed loans" amounts to a further Rs.830 million (HK$101 million) (31 December 2014: Rs.830 million (HK$102 million)).

On 18 February 2009, the GERC made an adjudication on GUVNL's claims. On the issue related to the payment to CLP India of "deemed generation incentive", the GERC decided that the "deemed generation incentive" was not payable when Paguthan was declared with availability to generate on naphtha. However, the GERC also decided that GUVNL's claim against CLP India in respect of "deemed generation incentive" up to 14 September 2002 was time-barred under the Limitations Act of India. Hence, the total amount of the claim allowed by the GERC was reduced to Rs.2,523 million (HK$307 million). The GERC also dismissed GUVNL's claim to recover interest on the "deemed loans".

## 14. Contingent Liabilities (continued)

(A) CLP India – Deemed Generation Incentive Payment and Interest on Deemed Loans (continued)

CLP India filed an appeal with the Appellate Tribunal for Electricity (ATE) against the decision of the GERC. GUVNL also filed an appeal in the ATE against an order of the GERC rejecting GUVNL's claims on interest on "deemed loans" and the time barring of the deemed generation claim to 14 September 2002. On 19 January 2010, the ATE dismissed both CLP India and GUVNL's appeals and upheld the decision of the GERC. CLP India has filed an appeal against the ATE order in the Supreme Court of India. The appeal petition was admitted on 16 April 2010 but the next date of hearing has not yet been fixed by the court. GUVNL has also filed a cross appeal challenging those parts of the ATE judgment which held that GUVNL's claims before September 2002 were time barred and which disallowed its claims for interest on "deemed loans".

Following the issue of the ATE's judgment, GUVNL deducted Rs.3,731 million (HK$454 million) from January to March 2010 invoices after adjustment for a previous deposit of Rs.500 million (HK$61 million), which included tax on incentive relating to deemed generation on naphtha, and delayed payment charges on associated incentive calculated up to March 2010.

Subsequent to the above deduction, CLP India represented to GUVNL that, during April 2004 to March 2006, gas was available for generation and therefore should not be considered as availability (deemed generation) on naphtha. GUVNL accepted the representation and refunded the base amount of Rs.292 million (HK$36 million) and interest of Rs.150 million (HK$18 million) in March 2011. However, during the first and last quarter of 2011, with the spot gas availability being constrained, Paguthan was forced to declare availability on naphtha for certain periods, which resulted in deduction of incentive revenue by GUVNL under deemed generation of Rs.17 million (HK$2 million). At 30 June 2015, the total amount of the claim plus interest and tax with respect to the "deemed generation incentive" amounted to Rs.8,543 million (HK$1,040 million) (31 December 2014: Rs.8,543 million (HK$1,048 million)).

On the basis of legal advice obtained, the Directors are of the opinion that CLP India has a strong case on appeal to the Supreme Court. In consequence, no provision has been made in the financial statements at this stage in respect of these matters.

(B) Indian Wind Power Projects – WWIL's Contracts

CLP Wind Farms (India) Private Limited, CLP India and its subsidiaries (CLP India group) have invested (or are committed to invest) in around 681MW of wind power projects to be developed with Wind World India Limited (WWIL). WWIL's major shareholder, Enercon GmbH, has commenced litigation against WWIL claiming infringement of intellectual property rights. CLP India group, as a customer of WWIL, has been named as a defendant. Enercon GmbH is also seeking an injunction restraining CLP India group's use of certain rotor blades acquired from WWIL. As at 30 June 2015, the Group considered that CLP India group has good prospects of defending these claims and the legal proceedings are unlikely to result in any material outflow of economic benefits from the Group.

(C) Jhajjar – Disputed Charges with Offtakers

Jhajjar Power Limited (Jhajjar) has disputes with its offtakers over applicable tariff of capacity charges, energy charges relating to transit loss, coal-handling agent charges and Unscheduled Interchange charges payable as per the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009. Total disputed amounts were Rs.1,804 million (HK$220 million) at 30 June 2015 (31 December 2014: Rs.1,725 million (HK$212 million)). Jhajjar has filed a petition against its offtakers in March 2013. The Group considered that Jhajjar has a strong case and hence, no provision has been made.

# SUPPLEMENTARY INFORMATION ON TREASURY ACTIVITIES

The Group engaged in new financing activities in the first half of 2015 in support of the operation and growth of its electricity business. Up to July 2015, CLP Power Hong Kong successfully arranged HK$4.5 billion new financing at attractive interest rates. This comprises of: (i) US$300 million (HK$2,325 million), 10-year bond issued under the Medium Term Note (MTN) Programme in April 2015 at 3.125% coupon. The bond was priced at US Treasury yield plus 1.25% which was issued at a time when US 10-year Treasury rate remained at a low level of around 1.9%. This bond issue was strongly supported by investors with an order book of US$2.8 billion (9 times coverage). This bond is a Regulation S issue with listing on the Stock Exchange of Hong Kong; (ii) HK$618 million (49% in Hong Kong dollar, 32% in Japanese yen and 19% in Australian dollar), 12 and 15-year fixed rate bonds issued under the MTN Programme. These long-tenured fixed rate bonds have further lengthened CLP Power Hong Kong's debt maturity and locked in favourable fixed interest rate levels during the very low interest rate environment in early 2015; (iii) US$125 million (HK$969 million), 3-year cross-border bank loans in July 2015. This is the third tranche of cross border bank loans since 2013 which will be syndicated to Japan-based regional and city banks. This cross-border loan which is denominated in US dollar this time can help diversify the portfolio of lending banks and deliver very cost-effective terms to CLP Power Hong Kong vis-a-vis ordinary bank loans arranged in Hong Kong; and (iv) HK$600 million bank loan facility arranged in March 2015 at preferential rate. All foreign currency proceeds were swapped back into Hong Kong dollars to mitigate foreign currency risk. CLP Power Hong Kong's MTN Programme was set up by its wholly-owned subsidiary CLP Power Hong Kong Financing Limited in 2002. Under the MTN Programme, bonds in an aggregate amount of up to US$4.5 billion may be issued and will be unconditionally and irrevocably guaranteed by CLP Power Hong Kong. As at 30 June 2015, notes with an aggregate nominal value of approximately HK$26.7 billion have been issued under the MTN Programme.

In Mainland China, CLP completed RMB3.56 billion (HK$4.45 billion), 18-year non-recourse project level loan in March 2015 for Fangchenggang (70% owned by CLP) to develop the phase II extension of 1,320MW coal-fired generation units with emission reduction facilities and RMB579 million (HK$723 million), 15-year project loan in June 2015 for Sandu Wind project (wholly-owned by CLP) at competitive rates. In parallel, CLP tapped into the very liquid, cost-effective offshore Renminbi bank loan market in Hong Kong to diversify its funding base and further support the expansion of renewable projects in the nation.

In India, Jhajjar Power Limited became one of the first power companies in India to issue Rs.4.76 billion (HK$579 million), 10 and 11-year bonds at 9.99% coupon semi-annually in April 2015. These asset-specific corporate bonds, which carry AA+ credit rating from India Ratings & Research and are listed on the Bombay Stock Exchange, can lengthen the average debt maturity of the company. The proceeds were used to repay existing bank loans to reduce funding cost. Also, CLP Wind Farms (India) Private Limited arranged Rs.3 billion (HK$365 million) 1-year bank loan facility for working capital and bridge finance of the construction of wind projects, increased its commercial paper issuance limit from Rs.2 billion (HK$243 million) to Rs.4 billion (HK$487 million) and received A1+ short term credit rating from India Ratings & Research.

In Australia, EnergyAustralia refinanced A$1.8 billion (HK$10.7 billion) syndicated loan facilities in July 2015, down from originally A$2.1 billion (HK$12.5 billion) following the full implementation of the new billing system and the removal of the negative watch on the Standard & Poor's (S&P) credit rating. The refinancing extended the average tenor of facilities by 1.5 years at reduced interest margins. In parallel, EnergyAustralia extended a A$700 million (HK$4.2 billion) working capital facility by one year to June 2018 at lower interest margins.

As at 30 June 2015, the Group maintained HK$95.0 billion financing facilities, including HK$33.5 billion for EnergyAustralia and subsidiaries in India. Of the facilities available, HK$69.3 billion had been drawn down, of which HK$22.5 billion related to EnergyAustralia and subsidiaries in India. The Group's total debt to total capital ratio as at 30 June 2015 was 40.3%, decreasing to 38.8% after netting off bank balances, cash and other liquid funds. EBIT (Earnings Before Interest and Taxes) interest cover for the period ended 30 June 2015 was 8 times.

CLP always strives to maintain good investment grade credit ratings. Our initiatives to further enhance the capital structure of the Group by issuing US$750 million (HK$5.8 billion) perpetual capital securities, early repayment of HK$5 billion bridge loan facilities for CAPCO/PSDC acquisitions and maintain constructive dialogues with credit rating agencies paid off when Moody's changed CLP Power Hong Kong's and CLP Holdings' outlooks back to stable from negative in April 2014 and May 2015 respectively, and S&P changed CLP Holdings' and CLP Power Hong Kong's outlooks to stable from negative in May 2015. Both S&P and Moody's affirmed CLP Holdings' and CLP Power Hong Kong's credit ratings at A-/A2 and A/A1 respectively in May 2015. These rating actions demonstrate the two credit rating agencies concur that CLP will retain high level of discipline in business and financial management, and exercise strong prudence in operation and expansion.

S&P opines that CLP Holdings' cash flows remain sound and stable from its regulated Hong Kong business and the stabilisation of operations in Australia and India will gradually improve the company's financial strength over the next two years. The Group should benefit from a more steady performance of the power generation business due to weak coal prices and capacity growth in Fangchenggang and improving coal supply and higher power plant utilisation in Jhajjar. Moreover, CLP Holdings' focus on organic growth should contribute to the steady improvement of credit metrics in the coming years.

Moody's believes that CLP Holdings' credit profile, though remains constraint in 2015, will strengthen in the next two to three years, helped by gradual decline in financial leverage of the Group, higher visibility and steady performance in Australia, predictable cash flow from Hong Kong operations, and increasing earnings from India and China operations.

In May 2015, S&P revised EnergyAustralia's rating outlook to stable from negative and affirmed the BBB- credit rating. This reflects S&P's view of EnergyAustralia's stabilised operating performance following the completion of new retail billing system and more stable earnings base as a result of expected reduction of operating costs.

The Group's investments and operations have resulted in exposures to foreign currency risk, interest rate risk, credit risk, as well as energy price risk associated with the sale and purchase of electricity in Australia. We actively manage these risks by using different derivative instruments with the objective of minimising the impact of rate and price fluctuations on earnings, reserves and tariff charges to customers. In meeting the objectives of risk management, we always prefer simple, cost-efficient and Hong Kong Financial Reporting Standards hedge-effective instruments. For instance, we prefer forward foreign currency contracts or cross currency interest rate swaps to structured products for managing financial risks. We also monitor our risk exposures with the assistance of "Earnings-at-Risk" (EaR) and "Value-at-Risk" (VaR) methodologies, and Volumetric Limits. Other than very limited price discovery trading activities engaged by our Australia business, all derivative instruments are employed solely for hedging purposes.

As at 30 June 2015, the Group had gross outstanding derivative financial instruments amounted to HK$142.4 billion. The fair value of these derivative instruments was a net deficit of HK$128 million, representing the net amount payable if these contracts were closed out on 30 June 2015.

## CORPORATE GOVERNANCE

### Corporate Governance Practices

In the Corporate Governance Report of 26 February 2015, which was published in our 2014 Annual Report, we reported that the Company had adopted its own Code on Corporate Governance (the CLP Code) in February 2005 (most recently updated in February 2015). This incorporated all of the Code Provisions and Recommended Best Practices in the Hong Kong Stock Exchange's Corporate Governance Code and Corporate Governance Report (the Stock Exchange Code), Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, save for one exception.

This single deviation from the Recommended Best Practices of the Stock Exchange Code relates to the recommendation that an issuer should announce and publish quarterly financial results. The considered reasons for this deviation were stated in the Corporate Governance Report on page 112 of the Company's 2014 Annual Report. Although CLP does not issue quarterly financial results, CLP issues quarterly statements which set out key financial and business information such as electricity sales, dividends and progress in major activities.

During the six months ended 30 June 2015, the Company met the Code Provisions set out in the Stock Exchange Code.

So far in 2015, we have made further progress in our corporate governance practices. This included:

(a) a performance evaluation of the CLP Holdings Board and its Board Committees for 2014 conducted by the Company Secretary in the form of a questionnaire to all Directors individually, with a focus on the review of the implementation of the recommendations in the 2013 Board Performance Evaluation. The 2014 Board Performance Evaluation covered similar areas as those in the 2013 Board Performance Evaluation: dynamics and overall impression of the Board; organisation of the Board; Committee organisation; Board composition; Board involvement and engagement; communication with shareholders and stakeholders; and overall Board effectiveness. The findings of the 2014 Board Performance Evaluation, as summarised in the Company Secretary's report, included:

- The recommendations of the 2013 Board Effectiveness Review were, in general, effectively implemented as appropriate.

- The existing organisation of Board Committees is generally effective in assisting the Board with governance of the Company.

- CLP's corporate governance policies and processes continue to be strong. They satisfy and/or exceed the Stock Exchange Code and Listing Rule requirements. Any exceptions to the Stock Exchange Code are relatively minor, are recognised by the Company and are capable of being suitably explained. (Such exception refers to the abovementioned single deviation from the Recommended Best Practices of the Stock Exchange Code in relation to announcement and publication of quarterly financial results.)

A copy of the conclusion of the 2014 Board and Board Committees Performance Evaluation has been published on the CLP website. The Board considered the findings and recommendations of the Company Secretary on the 2014 Board and Board Committees Performance Evaluation at its meeting on 8 May 2015 and approved the recommendations for implementation. Board performance is evaluated on an ongoing basis with an independent evaluation every three years.

(b) the CLP Group "Project Management Governance System" developed to ensure the application of world class project management practices across the Group. A "Project Management Academy" is being established to develop and train staff in project management skills.

(c) the terms of reference of the Audit Committee updated to reflect the Committee's additional responsibilities arising from the review of the assurance of sustainability data in the

Sustainability Report and the Hong Kong Stock Exchange's proposal on risk management and internal control under the Stock Exchange Code.

(d) our third ESG webcast held on 28 April 2015 to further enhance our communication with institutional investors and their proxy advisors on the ESG aspects of our business. The recording of the webcast is available on the CLP website.

(e) corporate governance briefings given to local subsidiaries and joint ventures in Mainland China and Australia.

(f) sharing of our expertise and views on corporate governance issues by participating in formal and informal focus groups organised by the Hong Kong Stock Exchange, as well as by responding to the Consultation Paper issued by the Securities and Futures Commission with regard to Principles of Responsible Ownership.

As at 30 June 2015 the composition of the Board of CLP Holdings remained the same as set out in the 2014 Annual Report (pages 106 and 107).

As announced by the Company on 5 June 2015, Dr Rajiv Lall has resigned as an Independent Non-executive Director after the conclusion of the Board of Directors Meeting held on 13 August 2015 and Mrs Zia Mody has been appointed an Independent Non-executive Director with effect from 2 July 2015. Mrs Zia Mody is the founder and senior partner of AZB & Partners. The Board considered that Mrs Mody is independent and the supporting reasons were set out in the announcement of 5 June 2015.

As at 30 June 2015, the composition of Board Committees remained the same as set out in the 2014 Annual Report (pages 119, 142, 145 and 150).

As announced by the Company on 5 June 2015, Dr Rajiv Lall has resigned as a Member of the Finance & General Committee of the Board of the Company following his resignation after the conclusion of the Board of Directors Meeting held on 13 August 2015 and Mrs Zia Mody has been appointed a Member of the Human Resources & Remuneration Committee of the Board of the Company following her appointment as an Independent Non-executive Director on 2 July 2015.

There were no substantial changes to the information of Directors as disclosed on pages 106 and 107 of the 2014 Annual Report and on CLP's website. The positions held by each Director with CLP Holdings' subsidiary companies and their directorships held in the last three years in public companies are updated in each Director's biography on CLP's website.

The Company has received confirmation from each Director that he/she has given sufficient time and attention to the affairs of the Company during the six-month period ended 30 June 2015. Directors have also disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organisations and other significant commitments, with the identity of the public companies or organisations and an indication of the time involved. During this period, no current Director held directorships in more than seven public companies including the Company. No Executive Director holds any directorship in any other public companies, but he is encouraged to participate in professional, public and community organisations. Other details of Directors' appointments are available on CLP's website.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2015. All of the Audit Committee members are appointed from the Independent Non-executive Directors, with the Chairman, Mr Vernon Moore, and Mr Nicholas Allen having appropriate professional qualifications, including membership of the Hong Kong Institute of Certified Public Accountants, and experience in financial matters. Mrs Fanny Law has extensive experience in public administration and Ms Irene Lee has wide experience in financial services, including banking, funds management and general insurance.

At the Company's Annual General Meeting held on 7 May 2015 shareholders approved the re-appointment of PricewaterhouseCoopers as the Company's external auditor for the financial year ending 31 December 2015 and adopted a new set of Articles of Association (the AoA) of the Company which updated various provisions contained in the existing AoA in order to bring them into line with the new Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

Further information of CLP's corporate governance practices is set out in the "About CLP" and "Investors Information" sections of the CLP website.

**Change of Remuneration**

Non-executive Directors

There has been no change to the basis of determining Directors' remuneration. The levels of fees payable to Non-executive Directors and Independent Non-executive Directors for serving on the Board and Board Committees for each of the financial years of 2013, 2014 and 2015, effective from 1 May in respect of each year, were approved by shareholders at the Annual General Meeting held on 30 April 2013 and were set out in the Human Resources & Remuneration Committee Report on page 152 of the Company's 2014 Annual Report.

Executive Director and Senior Management

Details of the remuneration of Executive Director and Senior Management prepared in accordance with the Hong Kong Financial Reporting Standards for the six months ended 30 June 2015 are set out in the table on page 31.

The amounts disclosed consist of remuneration accrued or paid for service during the first six months of 2015 and, for the annual and long-term incentives, service and performance in previous years. Both the annual incentive and long-term incentive are paid in the first half of the year. As a result, the totals in the table do not represent half of the remuneration which will be accrued or paid for the full year.

The amounts disclosed are the amounts recognised in the financial year for accounting purposes, which do not necessarily reflect the cash actually received by the individual. Where payments are made to the individual over more than one financial year, this is explained in the notes.

To provide a clear picture of remuneration, amounts are shown as recurring or non-recurring items. Recurring items are the normal annual remuneration of Executive Director and Senior Management, whilst non-recurring items relate primarily to the appointment or termination of Executive Director and Senior Management.

In the table on page 31 the Total Remuneration column includes the following recurring items for the six months ended 30 June 2015:

(i) base compensation, allowances & benefits paid.
(ii) 2015 annual incentive accrued based on previous year Company performance. Additionally, as the Company performance actually achieved in 2014 was higher than the annual incentive accrual for 2014, the difference was added in the current period.
(iii) the 2012 long-term incentive award paid in January 2015 when the vesting conditions were satisfied.
(iv) provident fund contribution made.

The Other Payments column includes the following non-recurring item:

(i) sign-on payments accrued in accordance with the Company's contractual obligation for newly hired Senior Management in consideration of income foregone with their previous employer on joining CLP.

| Six months ended 30 June 2015 | Recurring Remuneration Items: Base Compensation, Allowances & Benefits[1] HK$M | Recurring Remuneration Items: Performance Bonus[2] – Annual Incentive (2015 Accrual + 2014 Adjustment) HK$M | Recurring Remuneration Items: Performance Bonus[2] – Long-term Incentive (Payment for 2012) HK$M | Recurring Remuneration Items: Provident Fund Contribution HK$M | Recurring Remuneration Items: Total Remuneration HK$M | Non-recurring Remuneration Items: Other Payments HK$M | Total HK$M |
|---|---|---|---|---|---|---|---|
| CEO (Mr Richard Lancaster) | 4.5 | 4.9 | 3.1 | 0.5 | **13.0** | 0.0 | **13.0** |
| Group Director & Chief Financial Officer (Mr Geert Peeters)[3] | 3.1 | 3.7 | 0.0 | 0.4 | **7.2** | 0.0 | **7.2** |
| Group Director & Vice Chairman – CLP Power Hong Kong (Mrs Betty Yuen)[4] | 2.0 | 3.4 | 0.0 | 0.2 | **5.6** | 0.0 | **5.6** |
| Managing Director – CLP Power (Mr Paul Poon) | 2.4 | 3.0 | 2.0 | 0.3 | **7.7** | 0.0 | **7.7** |
| Managing Director – EnergyAustralia (Ms Catherine Tanna)[5] | 5.8 | 6.7 | 0.0 | 0.0 | **12.5** | 2.4 | **14.9** |
| Managing Director – India (Mr Rajiv Mishra)[6] | 1.7 | 2.0 | 2.0 | 0.2 | **5.9** | 0.0 | **5.9** |
| Managing Director – China (Mr Chan Siu Hung) | 1.8 | 2.2 | 1.6 | 0.2 | **5.8** | 0.0 | **5.8** |
| Group General Counsel & Chief Administrative Officer (Mr David Simmonds) | 2.2 | 2.6 | 1.9 | 0.3 | **7.0** | 0.0 | **7.0** |
| Chief Corporate Development Officer (Ms Quince Chong) | 2.2 | 2.7 | 0.4 | 0.3 | **5.6** | 0.0 | **5.6** |
| Director – Group Human Resources (Mr Roy Massey) | 1.5 | 1.8 | 1.7 | 0.2 | **5.2** | 0.0 | **5.2** |
| **Total** | **27.2** | **33.0** | **12.7** | **2.6** | **75.5** | **2.4** | **77.9** |

Notes:

1 The value of non-cash benefits is included under the Base Compensation, Allowances & Benefits column of the above table. The nature of these benefits includes electricity allowance, the availability of a company vehicle for personal use, any approved personal club memberships entered into primarily for business entertainment purposes and consequently paid by the Company, life insurance and medical benefits. Which of these benefits applies depends primarily on the location of the individual.

2 Performance bonus consists of (a) annual incentive and (b) long-term incentive. The annual incentive payments and long-term incentive awards were approved by the Human Resources & Remuneration Committee (HR&RC). For Ms Catherine Tanna, the annual incentive payment was approved by the Board of EnergyAustralia following consultation between the CEO, the Chairman of the EnergyAustralia Nomination and Remuneration Committee and members of the HR&RC.

3 Mr Geert Peeters joined the Company on 1 February 2014. The 2nd instalment of the sign-on award of HK$2.5 million accrued in 2014 was paid in March 2015. The sign-on award is to compensate for income lost as a result of forfeiture of long-term incentive award with his previous employer on joining CLP.

4 The annual incentive of HK$3.4 million for Mrs Betty Yuen included an additional discretionary annual incentive of HK$1.0 million for 2014 performance.

5 Ms Catherine Tanna joined the Company on 1 July 2014 and as part of her employment contract has a sign-on award to compensate for income lost as a result of forfeiture of incentive awards with her previous employer on joining CLP. A sum of HK$12.0 million will be paid in September 2016 or pro rata to service if she leaves before this date. Under Other Payments the amount of HK$2.4 million is the accrual in the first half of 2015 against this figure. It was also approved to extend the reimbursement period for relocation expenses of HK$1.8 million accrued in 2014 to end December 2016. The remuneration of Ms Catherine Tanna is denominated in Australian dollars. The month end exchange rates prevailing at the month of payment were adopted for conversion to Hong Kong dollars.

6 The remuneration of Mr Rajiv Mishra is denominated in Indian Rupees. There is a temporary currency relief arrangement for Mr Rajiv Mishra for 2 years from 1 October 2013 to 30 September 2015 where 50% of his base salary and annual incentive payment in Rupees are converted to pay in Hong Kong dollars at an exchange rate of 1 HKD = 7.4 Rupees. For the remaining payments in Rupees, the month end exchange rates prevailing at the month of payment were adopted for conversion to Hong Kong dollars.

### Internal Control

Pursuant to the delegated responsibility from the Board to assure that adequate internal controls are in place and followed, the Audit Committee reviewed the CLP Group's internal control review approach and the audit reports submitted by Group Internal Audit. Based on the information received from management, the external auditor and Group Internal Audit, the Audit Committee believed that overall financial and operating controls in place for the Group during 2014 continued to be effective and adequate.

During the six-month period ended 30 June 2015, all the reports submitted by Group Internal Audit carried satisfactory audit opinion and no significant areas of concern that might affect shareholders were identified. Details of the standards, processes and effectiveness of CLP's internal control system were set out in the Corporate Governance Report on pages 127 and 128 of the Company's 2014 Annual Report.

### Interests in CLP Holdings' Securities

Since 1989, the Company has adopted its own CLP Securities Code. This is largely based on the Model Code set out in Appendix 10 of the Listing Rules. The CLP Securities Code has been updated from time to time to reflect new regulatory requirements as well as CLP Holdings' strengthened regime of disclosure of interests in its securities. The current CLP Securities Code is on terms no less exacting than the required standard set out in the Model Code. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and CLP Securities Code throughout the period from 1 January to 30 June 2015.

We have voluntarily extended the ambit of the CLP Securities Code to cover Senior Management and other "Specified Individuals" such as other managers in the CLP Group.

All members of the Senior Management have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and CLP Securities Code throughout the period from 1 January to 30 June 2015.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the six months ended 30 June 2015.

## INTERIM DIVIDEND

Directors today declared the second interim dividend of HK$0.55 per share (2014: HK$0.54 per share) which will be payable on 15 September 2015 to shareholders registered as at the close of business on 4 September 2015. The dividend of HK$0.55 per share is payable on the existing 2,526,450,570 shares in issue.

The Register of Shareholders will be closed on 7 September 2015. To rank for the second interim dividend of HK$0.55 per share, all transfers should be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 4 September 2015.

By Order of the Board
**April Chan**
Company Secretary

Hong Kong, 13 August 2015

*The Interim Report containing financial statements and notes to the financial statements will be published on the Company's website www.clpgroup.com and the website of the Stock Exchange of Hong Kong by 20 August 2015 and despatched to shareholders on 28 August 2015.*

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中電控股有限公司
**CLP Holdings Limited**
**(incorporated in Hong Kong with limited liability)**
(Stock Code: 00002)

The Directors of CLP Holdings as at the time of this announcement are:

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|---|---|
| **Non-executive Directors:** | The Hon Sir Michael Kadoorie, Mr William Mocatta, Mr Ronald J. McAulay, Mr J. A. H. Leigh, Mr Andrew Brandler and Dr Y. B. Lee |
| **Independent Non-executive Directors:** | Mr V. F. Moore, Sir Rod Eddington, Mr Nicholas C. Allen, Mr Vincent Cheng, Mrs Fanny Law, Ms Irene Lee and Mrs Zia Mody |
| **Executive Director:** | Mr Richard Lancaster |